SaskTel

Financial Statements of

NAVIGATA COMMUNICATIONS INC.
PENSION PLAN

December 31, 2004

ACTUARY'S OPINION

Towers Perrin Inc. was retained by the Navigata Communications Partnership Pension Committee (the "Committee") to perform actuarial valuations of the assets and liabilities of the Navigata Communications Inc. Pension Plan (the "Plan") on an accounting basis as at December 31, 2002 and August 23, 2004. Towers Perrin Inc. was further retained to prepare extrapolations of the valuation results from December 31, 2002 to December 31, 2003 for inclusion in the Financial Statements for the year ended December 31, 2003 and to prepare extrapolations of the valuation results from August 23, 2004 to December 31, 2004 for inclusion in the Financial Statements for the year ended December 31, 2004.

The calculations of the financial position of the Plan on an accounting basis have been made in accordance with Section 3461 of the Canadian Institute of Chartered Accountants (CICA) Handbook. The assumptions used as at December 31, 2003 were determined by Navigata Communications Partnership's management as their best estimate of long-term expectations, after discussions with Towers Perrin. The assumptions used as at December 31, 2004 reflect the assumptions appropriate for which the benefits could be settled as of August 23, 2004, the Plan wind up date.

We are not aware of any matters or events expected to occur after the date of this opinion which have not been accounted for and which materially affect the financial position of the Plan. However, emerging experience, differing from the assumptions, will result in gains and losses which will be revealed in future valuations.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuations and the extrapolations. We also believe that the methods employed in the valuations and extrapolations and the assumptions used are, in aggregate, appropriate. Our opinions have been given, and our valuations and extrapolations have been performed in accordance with accepted actuarial practice.

TOWERS PERRIN INC.

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AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the statement of net assets available for benefits, accrued pension benefits and deficit of Navigata Communications Inc. Pension Plan as at December 31, 2004 and the statements of changes in net assets available for benefits and accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and deficit of the Plan as at December 31, 2004 and the changes in the net assets available for benefits and accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
April 8, 2005

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND DEFICIT AS AT DECEMBER 31, 2004

	2004	2003
	(Thousands of dollars)	
ASSETS		
Cash	$ 11	$ 431
Contributions receivable		
Employer	223	142
Employee	0	92
Investments	8,885	9,051
Total assets	9,119	9,716
LIABILITIES		
Accounts payable	3	93
Termination benefit refunds payable	367	189
Total liabilities	370	282
Net assets available for benefits (Statement 2)	8,749	9,434
Accrued pension benefits (Statement 3)	10,522	12,600
DEFICIT	$ (1,773)	$ (3,166)

Approved by Navigata Communications Partnership

Michael J Chisholm

CFO, VP Finance Navigata Communications Partnership

(See accompanying notes to the financial statements)

NAVIGATA COMMUNICATIONS INC. PENSION PLAN — STATEMENT 2

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
	(Thousands of dollars)	
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	$ 9,434	$ 7,949
INCREASE IN ASSETS		
Investment income	78	326
Realized gain in market value of investments	1,196	929
Contributions		
Employer's	1,105	1,288
Employees' current and past service	332	609
Total increase in assets	2,711	3,152
DECREASE IN ASSETS		
Refunds and transfers		
Termination benefit refunds	1,969	975
Realized loss on sale of investments	997	289
Administration costs (Note 4)	317	296
Benefits paid to pensioners and beneficiaries	113	107
Total decrease in assets	3,396	1,667
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 8,749	$ 9,434

(See accompanying notes to the financial statements)

NAVIGATA COMMUNICATIONS INC. PENSION PLAN

STATEMENT 3

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
	(Thousands of dollars)	
ACCRUED PENSION BENEFITS AT BEGINNING OF YEAR	$ 12,600	$ 11,576
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	692	771
Benefits accrued	957	1,488
Impact of assumption changes (Note 3)	0	564
	1,649	2,823
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	2,271	1,182
Experience gain	421	617
Curtailment gain	1,035	0
	3,727	1,799
ACCRUED PENSION BENEFITS AT END OF YEAR	$ 10,522	$ 12,600

(See accompanying notes to the financial statements)

Navigata Communications Inc. Pension Plan
Notes to the Financial Statements
December 31, 2004

1. Description of the Plan

Effective August 23, 2004, the Navigata Communications Inc. Pension Plan (the Plan) was curtailed and benefits are no longer accruing to the employees. An application has been made to the Office of the Superintendent of Financial Institutions and it is anticipated that the plan will be wound up in 2005. As of December 31, 2004, benefits resulting from the curtailment have not been disbursed.

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan Text.

(a) General

The Plan is a defined benefit plan maintained by Navigata Communications Partnership, (the Partnership). The Plan is registered under the Pensions Benefits Standards Act of Canada, 1985, registration #56987, and is administered by the Pension Committee appointed by the Board of Directors of the Partnership.

(b) Investments

The investment manager used by the Plan has been engaged to invest Plan assets based on investment policies approved by the Pension Committee. The objective of these investment policies is to ensure that the Plan has sufficient assets to meet its future pension obligations and to generate sufficient cash flows to meet the required pension payments as they fall due. The investment guidelines are also designed to minimize interest rate risk and credit risk by ensuring that Plan assets are invested systematically in a diversified portfolio, within the parameters prescribed under The Income Tax Act and the Pensions Benefits Standards Act of Canada, 1985.

Permissible investments include Canadian equities, U.S. and international equities, bonds of Canadian issuers, short term securities, mortgages, real estate and pooled funds. No other type of investment is permitted without the prior approval of the Pension Committee.

Following the announcement of the curtailment of the Plan, in July 2004, the Plan assets were liquidated from the current investments and reinvested in money market (or equivalent) investments to minimize the risk of negative investment returns prior to the settlement of benefits to Plan members.

(c) Funding

The Plan is funded on the basis of actuarial valuations, which are performed at least every three years. The most recent actuarial valuation of the Plan was performed as at August 23, 2004, with extrapolations conducted to December 31, 2004.

Plan members were required to contribute to the Plan at a rate equal to 4.5% of earnings up to the yearly maximum pensionable earnings and 6% of earnings thereafter until such time that the sum of their credited service and qualifying service equals 35 years.

The financial health of the Plan is guaranteed by the Partnership, which contributes the additional amounts necessary to properly fund the benefits to Plan members. Partnership contributions cannot be less than the members' contributions.

(d) Benefits

Prior to August 23, 2004, pension benefits vested after two years of qualifying service. Effective August 23, 2004, all active Plan members became immediately vested in their pension benefits. The Partnership guarantees the payment of the pension benefits payable under the terms of the Plan as amended from time to time, including:

1. Description of the Plan (continued)

i) Annual lifetime pension

The Plan provides a full pension at age 65 calculated to be 2.0% times the best average earnings for each year of credited service to a maximum of 35 years, less 0.7% of best average earnings up to the average of yearly maximum pensionable earnings for each year of credited service. If a member retires before age 65, but at or after the age of 55, the member is eligible for a reduced pension.

ii) Survivors' Pensions

If a plan member dies after retiring, the pension paid to the member's surviving spouse depends on the form of pension selected by the member on retirement. Pension standards legislation requires that a spouse receive no less than 60% of the member's pension, unless the spouse agrees otherwise. All optional forms of pension are determined on an actuarial equivalent basis to the normal form of pension.

iii) Death Refunds

If a Plan member dies before retirement, the member is eligible for a refund of the greater of 200% of member's contributions with interest and the value of the pension payable at 55.

(e) Refunds and Transfers

Upon ceasing employment with the Partnership, prior to the member's benefits vesting, the plan member may elect either to receive a refund of their contributions with earned interest less any withheld income tax or to transfer their contributions and earned interest to a registered retirement savings plan or to a registered retirement pension plan. Upon vesting, the member may elect to transfer out the value of the lifetime pension payable at age 55, the value of such benefits will not be less than 150% of the member's accumulated contributions with interest.

(f) Income Taxes

The Plan is a Registered Pension Plan as defined in The Income Tax Act and is not subject to income taxes.

2. Significant Accounting Policies

(a) Basis of Presentation

The financial statements as at December 31, 2003 and as at December 31, 2004 are prepared on a going concern basis and wind up basis respectively and present the information of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

(b) Investments

Investments are stated at market value. In determining market value, adjustments have not been made for transaction costs as they are not considered to be significant. The change in the difference between the

2. Significant Accounting Policies (continued)

market value and carrying value of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for benefits as unrealized loss in market values of investments. Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at market values determined using closing market prices.

Investment income, which is recorded on the accrual basis, includes interest and dividend income.

3. Accrued Pension Benefits

The present value of accrued pension benefits as at December 31, 2003 was determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages. The present value of accrued pension benefits as at December 31, 2004 was determined as the present value of the benefits to which the Plan members were entitled as at the wind up date. An actuarial valuation for accounting purposes was performed at August 23, 2004 and extrapolated to December 31, 2004 by Towers Perrin Inc., a firm of consulting actuaries.

Accrued pension benefits are sensitive to changes in the rate of return on assets, the inflation rate, salary escalation and future indexing. Based upon advice obtained from its actuaries and pension consultant, the Pension Committee applies best estimate assumptions on these and other future economic events. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and apply best estimate assumptions that affect the reported amount of assets and pension liabilities at the date of the financial statements. Actual results could differ from those estimates.

Assumptions for Accounting and Financial Reporting Purposes

Best estimate assumptions, for accounting and financial reporting purposes, are a set of actuarial assumptions each of which reflects management's judgment of the most likely set of conditions affecting future events. Following are the significant best estimate assumptions used to determine the actuarial present value of accrued pension benefits for accounting and financial reporting purposes:

Significant assumptions used as inputs to the actuarial calculations are:

Significant Assumption (per annum)	2004	2003
Discount rate	5.62% (1)	6.25%
Expected return on plan assets	5.28% (2)	7.00%
Inflation rate	3.00%	3.00%
Expected salary increase	N/A	4.00%
Post-retirement indexation	3.2% for 7 years starting January 1, 2005 and 1% thereafter	2.00%

(1) Due to the curtailment and anticipated windup of the Plan, the discount rate used represented the expected rate available to settle the related obligations.

(2) Since the curtailment of the Plan on August 23, 2004, the assets of the Plan have been invested in a money market fund. For the period from January 1, 2004 to August 23, 2004, the expected rate of return on assets was 7.0% per annum. For the period from August 24, 2004 to December 31, 2004 the expected rate of return on assets is 2.0% per annum. The rate of 5.28% shown in the table represents the asset weighted expected return on the Plan.

3. Accrued Pension Benefits (continued)

The mortality rates used as at December 31, 2003 were based on the 1994 Uninsured Pensioner Mortality Table with mortality improvements projected to 2014 using Scale AA. The mortality rates used as at December 31, 2004 were based on the 1983 Group Annuity Mortality Table with a unisex blending of 80% male rates and 20% female rates.

4. Administration Costs

The Pension Plan Agreement permits the Plan to engage an administrator, professional advisors, specialists and consultants for the purposes of administering the Plan and managing and investing Plan assets. Subsequent to the curtailment on August 23, 2004, the expenses, except for custodial fees, related to administrating the Plan have been paid by Navigata Communications Partnership. Administrative expenses paid by the Plan during 2004 are reflected on statement 2.

5. Fair Value

The fair value of financial assets and liabilities, other than accrued pension benefits (note 3) approximate fair value due to their immediate or short-term nature. The fair value of investments is considered to be market value, the calculation of which is detailed in note 2.